



ANNUAL
REPORT
1977



1977 FINANCIAL HIGHLIGHTS

	1977	1976
OPERATING RESULTS		
Gross Income	\$ 5,516,232	\$ 3,576,699
Expenses	4,931,009	3,364,582
Net Operating Income	361,115	152,799
POSITION AT YEAR END		
Cash and Securities	\$ 2,801,171	\$ 5,841,459
Mortgages and Loans	50,817,679	34,262,522
Total Assets Under Administration	142,641,672	119,247,496
Shareholders' Equity	2,873,412	2,556,402
PER SHARE		
Net Operating Income	\$ 1.64	\$.69
Dividends	.20	.16
Shareholders' Equity	13.03	11.59

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I am pleased to submit for your consideration our Annual Report for 1977, including audited financial statements for the year ended December 31, 1977.

RESULTS OF OPERATIONS

Notwithstanding a difficult economic environment, your Company achieved record growth and earnings during 1977. Operating income before income taxes for the year amounted to \$585,223 compared with \$212,117 for 1976, an increase of approximately 176% for the year. After providing for income taxes, net earnings for the year came to \$361,115 which compares with \$152,799 for 1976, an increase of 136%.

DIVIDENDS

Dividends paid in 1977 amounted to \$44,115 compared with \$35,292 paid in 1976. Based on the Company's past performance, management anticipates that further increases may take place in dividend payments during 1978.

ASSET GROWTH

Although 1977 was beset by economic problems, we were nevertheless able to increase our assets (excluding estates, trusts and agencies) to \$53.8 million representing an increase of 34% for the year. Total assets under administration (including estates, trusts and agencies) grew to \$142.6 million, an increase of approximately 20% for the year, compared with 1976 assets under administration of \$119.2 million.

BRANCH EXPANSION

In my interim report for the first half of 1977, I advised of a new branch opening in Oakville. I am now pleased to report that our St. Catharines Branch which is a full-service branch opened in December, 1977. Due to extensive renovations both to the interior as well as to the exterior of the premises, the opening of the Kitchener Branch was somewhat delayed. However, we anticipate opening of this full-service branch within the next few weeks. The Managers whose services have been secured for Kitchener and St. Catharines branches have extensive background and experience in the trust industry.

Management of the Company is fully cognizant of the rapid expansion that has taken place over the past 15 months and it is our intention to ensure as fully as possible that the operations to be carried on at the new branches will be properly and profitably organized to enable us to continue our growth pattern to date.

LEGISLATION

In my report to the shareholders of last year, I outlined certain pending legislation that if enacted could have adverse and negative effects on the trust industry as a whole and on our Company in particular. In 1977, such legislation has not been brought to any conclusion.

The business community is still awaiting introduction by the Minister of Finance of a bill setting out the Government's desired changes in the Bank Act and the Act in its present form has been extended for an additional year to March 31, 1979.

The proposed Borrowers and Depositors Protection Act, a major concern for those in the trust industry is still under discussion. It is anticipated that a new revised bill will be introduced by the Government which we hope will be workable, sensible and contain practical provisions.

During the year The Trust Companies Association of Canada filed with the Federal Superintendent of Insurance a submission with respect to the proposed revisions to the Federal Trust and Loan Companies Acts. Discussions have taken place regarding the submission and it is anticipated that these Acts will be amended following amendment of the Bank Act and that such new legislation will provide the trust industry with expanded powers to enable it to continue as a strong and viable industry within Canada's financial community.

STAFF ACKNOWLEDGMENTS

The growth in the Company's volume of business coupled with our branch expansion have made strenuous demands on our staff and I would like once again to express warm thanks to the men and women who have worked so hard and loyally during the past year.

OUTLOOK

As stated earlier in this report, 1977 was a year of economic problems. Based on all forecasts, the Canadian economy will again fall short of its potential. Inflation continues to be Canada's most pressing and serious problem. It is hoped that 1978 will bring some slackening in the rate of inflation.

It is likely that interest rates will remain relatively stable and accordingly the Company should continue to achieve a satisfactory level of earnings although at a lesser rate than experienced in 1977.

Although young in terms by comparison with the giants of our industry, we have learned and gained much in this relatively short span of time. Our record of performance speaks for itself. Despite adverse economic conditions in our country, the same optimism that has permeated the ranks of Income Trust from inception continues as strong as ever. We are confident that 1978 will be a year of continued and profitable growth.

Respectfully submitted,

LYON WEXLER,
President

On behalf of the Board,
3rd day of March, 1978.
Hamilton, Canada.

STATEMENTS OF EARNINGS, RETAINED EARNINGS AND GENERAL RESERVE

For The Year Ended December 31, 1977

REVENUE	1977	1976
Interest from Mortgage Loans	\$ 5,030,987	\$ 3,059,118
Interest and Dividends from Investments	345,330	462,968
Fees and Commissions	23,260	2,998
Other	<u>116,655</u>	<u>51,615</u>
	5,516,232	3,576,699
EXPENSES		
Interest on Deposits and Certificates	4,200,455	2,821,267
Salaries and Staff Benefits	308,984	210,553
General and Administrative	369,701	272,150
Depreciation and Amortization (Note 1 (b))	<u>51,869</u>	<u>60,612</u>
	4,931,009	3,364,582
OPERATING INCOME before taxes	585,223	212,117
Provision for income taxes	<u>224,108</u>	<u>59,318</u>
NET OPERATING INCOME	361,115	152,799
STATEMENT OF RETAINED EARNINGS		
BALANCE at beginning of year	\$ 263,650	\$ 196,143
NET INCOME for the year	<u>361,115</u>	<u>152,799</u>
DEDUCT:		
Dividends (Note 4)	44,115	35,292
Appropriation to General Reserve (Note 9)	<u>100,000</u>	<u>50,000</u>
	144,115	85,292
BALANCE AT END OF YEAR	\$ 480,650	\$ 263,650
STATEMENT OF GENERAL RESERVE		
BALANCE at beginning of year	\$ 50,000	\$ Nil
Appropriation from Retained Earnings (Note 9)	<u>100,000</u>	<u>50,000</u>
BALANCE AT END OF YEAR	\$ 150,000	\$ 50,000

(The accompanying notes form an integral part of these financial statements.)

ASSETS	1977	1976
Cash	\$ Nil	\$ 371,066
Short Term Notes	1,508,759	4,816,818
Bonds	429,959	344,944
Stocks	862,453	308,631
LOANS		
Loans on Securities	2,595,796	28,510
Consumer Loans	197,640	31,071
Mortgages	48,024,243	34,202,941
Fixed Assets (Notes 1 (b) and 3)	133,244	106,645
Other Assets at Cost	35,330	26,410
	<hr/>	<hr/>
	\$ 53,787,424	\$ 40,237,036

We hereby certify that to the best of our knowledge and belief, the balance sheet at December 31, 1977 and the accompanying statements of earnings, retained earnings and general reserve for the year then ended are correct and show truly and clearly the financial condition of the Company's affairs as at December 31, 1977 and the results of its operations for the year then ended.

BERNARD S. WALMAN
Chairman of the Board

LYON WEXLER
President

AT DECEMBER 31, 1977

LIABILITIES	1977	1976
Guaranteed Account:		
Deposits	\$ 4,392,615	\$ 3,206,052
Guaranteed Income Certificates	<u>45,711,231</u>	<u>34,236,310</u>
	50,103,846	37,442,362
Bank Indebtedness	316,281	
Accounts Payable	137,044	77,601
Dividends Payable (Note 4)	22,057	17,646
Income Taxes Payable	31,424	
Deferred Income Taxes (Note 5)	<u>303,360</u>	<u>143,025</u>
	<u>50,914,012</u>	<u>37,680,634</u>
SHAREHOLDERS' EQUITY		
Capital Stock (Note 6)	2,205,750	2,205,750
Contributed Surplus (Note 6 (c))	<u>37,012</u>	<u>37,002</u>
	2,242,762	2,242,752
General Reserve (Note 1)	150,000	50,000
Retained Earnings	<u>480,650</u>	<u>263,650</u>
	<u>2,873,412</u>	<u>2,556,402</u>
	<u>\$ 53,787,424</u>	<u>\$ 40,237,036</u>

(The accompanying notes form an integral part of these financial statements.)

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Income Trust Company as at December 31, 1977 and the statements of earnings and retained earnings and general reserve for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, February 9, 1978.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER
& GRILL
Chartered Accountants

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) SECURITIES

Bonds, short-term notes and stocks are stated at cost plus accrued income receivable.

(b) FIXED ASSETS – DEPRECIATION AND AMORTIZATION

The fixed assets described in Note 3 are stated at cost less accumulated depreciation and amortization. Office equipment and fixtures and leasehold improvements are being depreciated at rates and methods which will amortize the cost of these assets over their estimated useful lives.

The depreciation rates used are as follows:

Office equipment and fixtures	–	25% diminishing balance
Leasehold Improvements	–	over a period of five years as follows:
	Year 1	– 30%
	Year 2	– 25%
	Year 3	– 20%
	Year 4	– 15%
	Year 5	– 10%
		<u>100 %</u>

2. SECURITIES

The stated and market values of securities are as follows:

	Stated Value	Market Value
(a) Bonds – Canadian	\$ 429,959	\$ 426,209
(b) Short-term notes	1,508,759	1,508,759
(c) Stocks	862,453	866,220
	<u>\$ 2,801,171</u>	<u>\$ 2,801,188</u>

3. FIXED ASSETS

The following is a summary of fixed assets:

	Cost	Accumulated Depreciation and Amortization	1977 Net	1976 Net
Office equipment and fixtures	\$ 137,352	\$ 50,494	\$ 86,858	\$ 75,228
Leasehold Improvements	95,284	48,898	46,386	31,417
	<u>\$ 232,636</u>	<u>\$ 99,392</u>	<u>\$ 133,244</u>	<u>\$ 106,645</u>

4. DIVIDENDS

During the year, the Company paid taxable dividends of 20¢ per outstanding common share amounting to \$44,115 of which \$22,057 representing a 10¢ dividend for the second half of the fiscal year was declared pursuant to a directors' resolution dated December 7, 1977 and payable in March, 1978.

5. DEFERRED INCOME TAXES

Deferred income taxes represent amounts by which income taxes otherwise payable have been reduced by claiming, for tax purposes, certain deferments and expenses, primarily reserves for mortgages and capital cost allowances (tax depreciation), in excess of amounts recorded in the accounts. These deferred income taxes are applicable to those future years in which deferments and expenses claimed for tax purposes will be less than the amounts recorded in the accounts.

(continued)

6. CAPITAL STOCK

(a) AUTHORIZED SHARE CAPITAL

Authorized share capital consists of 500,000 shares with a par value \$10 each..... \$ 5,000,000

(b) ISSUED SHARE CAPITAL

Issued share capital consists of 220,575 shares at \$10 \$ 2,205,750

(c) CONTRIBUTED SURPLUS

Contributed surplus consists of:

i) Premium of 50¢ per share paid by shareholders with respect to the 1975 rights offering.	
73,525 shares at 50¢	\$ 36,762
ii) 25,000 outstanding share purchase warrants, of which 1,000 were issued in 1977.	
25,000 warrants at 1¢	\$ 250
	<u>\$ 37,012</u>

The share purchase warrants expiring by February 15, 1983, entitle the holders thereof to purchase 25,000 shares at various prices.

(d) EMPLOYEE STOCK OPTIONS

The Company has granted options to two employees to purchase at escalating prices, a total of 4,000 shares in the capital stock of the Company over a term of five years expiring in 1980.

7. COMMITMENTS

LEASES – EXISTING PREMISES

The Company is obligated under long-term leases to pay annual rents exclusive of realty taxes, insurance and other occupancy costs as follows:

	Rent	Original Term	Expiry Date
Head office – Hamilton	\$ 21,725	15 years	Aug. 15, 1990
Branch offices – Toronto	6,400	5 years	May 1, 1981
– St. Catharines	6,000	10 years	May 31, 1987
– Oakville	4,800	5 years	Sept. 30, 1982
– Kitchener	<u>14,400</u>	10 years	July 1, 1987
	<u>\$ 53,325</u>		

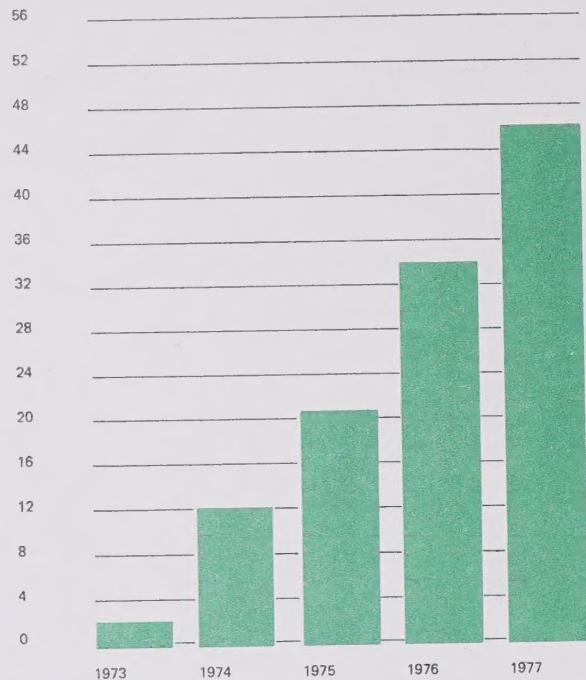
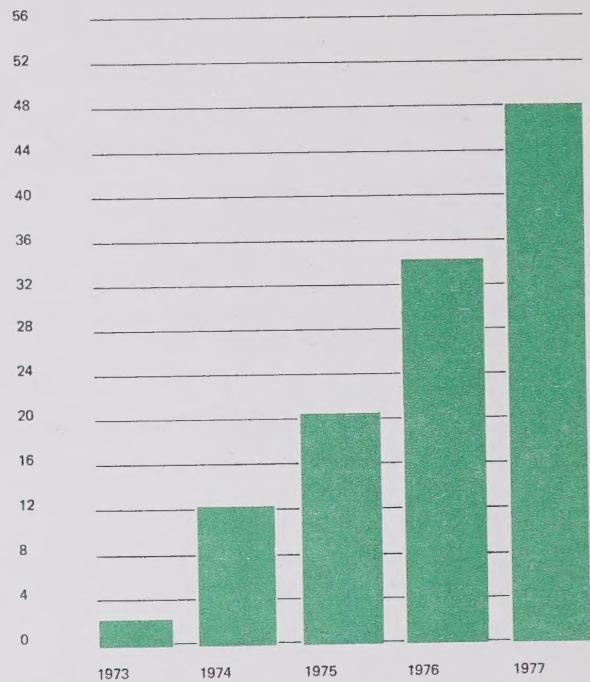
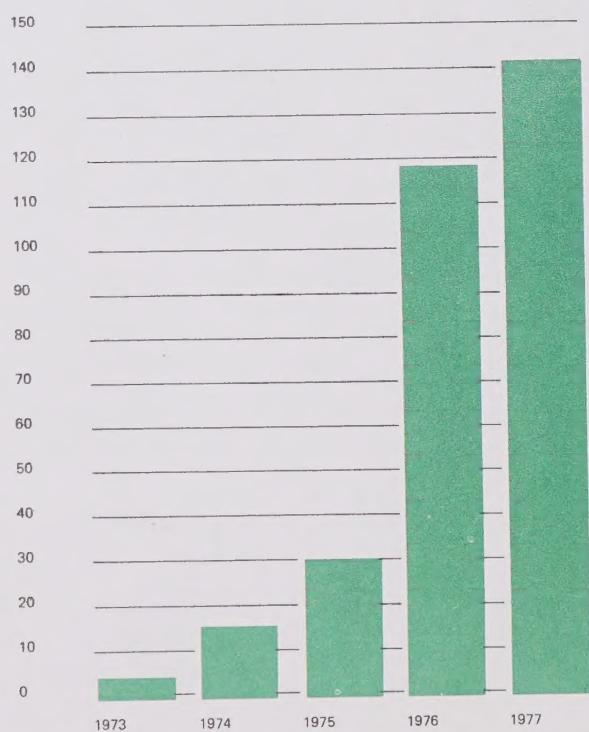
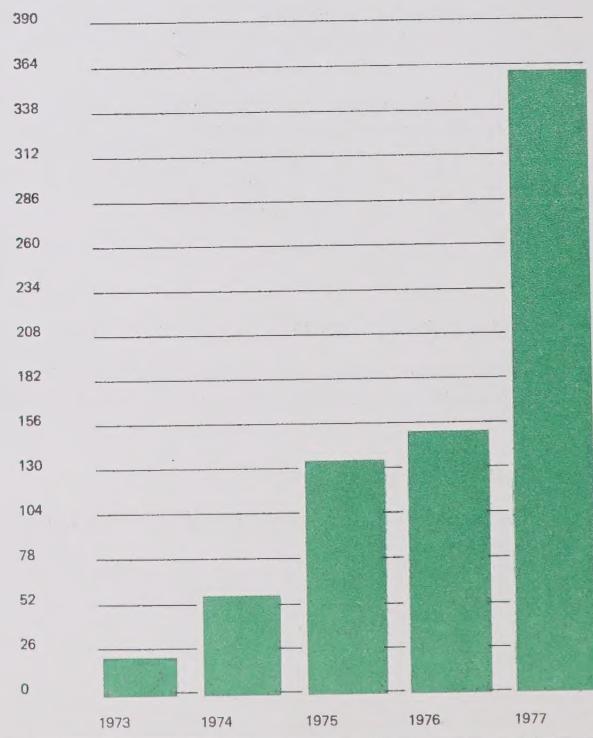
8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to senior officers of the Company amounted to \$108,798. (1976 - \$70,980). No directors' fees were paid during the year.

9. GENERAL RESERVE

The Company has, at the discretion of management appropriated from retained earnings \$150,000 as follows:

1976 Creation of reserve	\$ 50,000
1977 Transfer from retained earnings	<u>100,000</u>
	<u>\$ 150,000</u>

GUARANTEED INCOME CERTIFICATES
 MILLIONS OF DOLLARS

MORTGAGES
 MILLIONS OF DOLLARS

ASSETS UNDER ADMINISTRATION
 MILLIONS OF DOLLARS

NET EARNINGS
 THOUSANDS OF DOLLARS




BOARD OF DIRECTORS

JAMES R. BREITHAUPT, Q.C., M.P.P.
Member of Provincial Legislature

BERNARD GREENBAUM
Mortgage Banker

WILLIAM E. HOURIGAN, Q.C.
Partner, Hourigan and Sutherland

KENNETH CAMERON McGOWEN
President of Cloverlawn Investments Limited

ALEC MURRAY
President of Alec Murray Real Estate Ltd.

ALDO POLONIATO
President of Hamilton Baking Company Ltd.

RICARDO JORGE TOHME
Director & Secretary-Treasurer of Cominex
International Inc.

BERNARD S. WALMAN
Mortgage Banker

LYON WEXLER
Chief Executive Officer of the Company

IRVING ZUCKER
President of Eastern Broadcasting Company

OFFICERS

BERNARD S. WALMAN	—	Chairman of the Board
LYON WEXLER	—	President & Chief Executive Officer
BERNARD GREENBAUM	—	Executive Vice-President & Secretary-Treasurer
MURRAY WALMAN	—	Vice-President, Mortgages
WILLIAM E. HOURIGAN Q.C.	—	Vice-President
BRYAN W. SIMONS	—	Comptroller
DAVID H. SHUTTLEWORTH	—	Manager of Administration
SIDNEY ORVITZ	—	District Supervisor



HEAD OFFICE

Hamilton,
181 Main Street West,
528-9811

BRANCHES

Hamilton,
181 Main Street West,
528-9811

James W. Bland, Manager

Kitchener,
49 King Street West,
743-2667

W. Garth McKnight, Manager

Toronto,
48 Yonge Street, Suite 210,
(at Wellington)
862-0118

James E. Carney, Manager

Oakville,
351 Church Street,
842-1515

Donald H. Fowler, Manager

St. Catharines,
22 King Street,
688-3366

Ronald V. Hogan, Manager

SERVICES

- Chequing Accounts
- Premium Savings Accounts
- Business Accounts
- Money Orders
- Travellers Cheques
- Guaranteed Income Certificates
- Short Term Certificates
- Mortgage Loans
- Collateral Loans
- Consumer Loans
- Income Averaging Plans
- Home Ownership Savings Plans
- Retirement Savings Plans
- Deferred Profit Sharing Plans
- Pension Plans
- Estate Planning
- Trustee — Corporate and Personal